

The WIFA logo is a white rectangular box with the letters "WIFA" in a black, serif font. It is positioned in the upper left corner of the cover, partially overlapping a dark blue, cloud-like graphic element.

WIFA

The year "2007" is written in a large, bold, white sans-serif font with a blue drop shadow. It is centered in the upper half of the cover, over a background image of a desert river and mountains.

2007

Draft Drinking Water Intended Use Plan

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EXECUTIVE SUMMARY

The Water Infrastructure Finance Authority of Arizona (WIFA) Board of Directors is pleased to release **Arizona's Drinking Water Revolving Fund (DWRf) Intended Use Plan (IUP) for the 2007 funding cycle**. The DWRf IUP describes WIFA's plan to utilize various sources of funds to finance drinking water infrastructure and support related program activities during the 2007 funding cycle from January 1, 2007 through December 31, 2007.

Included as *Exhibit A* of the DWRf IUP is the **2007 Funding Cycle Priority List (PL)**. The PL shows communities and water systems seeking financial assistance from Arizona's DWRf. At the release of this report, communities and water systems throughout Arizona submitted **27 applications requesting \$121,522,714 in financial assistance**.

From January 1, 2007 through December 31, 2007, the WIFA Board of Directors will use the PL as a guide to allocate financial assistance from Arizona's DWRf to communities and water systems listed on the PL. Each board meeting, the WIFA Board of Directors may revise the PL and modify the fundable range for construction based on project readiness to proceed and other new information. WIFA staff will post the revised PL on the WIFA Web site (www.azwifa.gov).

Overall, the financial assistance and related program activities supported by Arizona's DWRf share the same objectives: **protect public health, ensure safe and sustainable drinking water, and guarantee the affordability of basic water infrastructure**. Arizona's DWRf also support the national program goal of Clean and Safe Water and the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 1: LENDING CAPACITY

During the 2007 funding cycle, Arizona's DWRF lending capacity will depend on the:

1. Amount of state contributions to Arizona's DWRF;
2. Amount of federal contributions to Arizona's DWRF;
3. Financing structure needs of water systems;
4. Interest rate on the DWRF financial assistance; and,
5. Availability of other state funds to support financial assistance activity.
6. Amount of leveraged bond capacity.
7. Leveraging capacity of fund.

Arizona's DWRF supports the national program objective to protect public health and assist water systems in providing water safe to drink (EPA IFMS PRC: 201B81E).

SECTION 2: FUNDING SOURCES AND USES

Arizona's DWRF is capitalized by state contributions and by contributions appropriated by the United States Congress. Once capitalized, Arizona's DWRF provides, in perpetuity, financial assistance to drinking water systems throughout Arizona.

Through active portfolio and financial management, WIFA's lending capacity could be increased during the funding cycle by leveraging the revolving fund and by issuing water quality bonds.

During the 2007 funding cycle, Arizona's DWRF will rely on the funding outlined in Table 1 to provide financial assistance to communities, support WIFA's operations, and support related program activities administered by WIFA and/or the Arizona Department of Environmental Quality (ADEQ). Each of the intended uses of funding is more fully described on the next page.

Table 1: Arizona DWRF Sources & Uses for 2007 Funding Cycle

	Federal Contributions	State Contributions*	WIFA Revenue	WIFA Loan Accounts	Total
Funding Sources					
Financial Assistance Funds**		\$ -	\$ 477,000	\$ 63,000,000	\$ 63,477,000
2006 Funds	\$ 23,466,400	\$ 4,693,280		\$ -	\$ 28,159,680
Total Funding Sources	\$ 23,466,400	\$ 4,693,280	\$ 477,000	\$ 63,000,000	\$ 91,636,680
Funding Uses					
Financial Assistance Loans	\$ 20,624,744	\$ 4,693,280		\$ 63,000,000	\$ 88,318,024
Public Water System Supervision	\$ 1,303,000	\$ -	\$ 477,000	\$ -	\$ 1,780,000
Wellhead Protection	\$ 375,000				\$ 375,000
Capacity Development	\$ 225,000				\$ 225,000
Administration	\$ 938,656	\$ -		\$ -	\$ 938,656
Total Funding Uses	\$ 23,466,400	\$ 4,693,280	\$ 477,000	\$ 63,000,000	\$ 91,636,680

* State match can be either WIFA bonds or state general fund monies.

** During the funding cycle, WIFA may sell water quality revenue bonds of which the proceeds will used increase WIFA's lending capacity

The sources and uses for the 2007 funding cycle shown in Table 1 are based on the FY 2007 federal budget. The 2007 DWRP federal budget allocation is \$841,500,000 million of which Arizona receives 2.84%.

Financial Assistance: \$115,601,351

WIFA will provide cash funded loans for financial assistance. WIFA will reserve a minimum of 15% for water systems that serve less than 10,000 persons.

Forgivable Principal: \$450,000 – WIFA may award forgivable principal to disadvantaged communities in accordance with WIFA Policy 1.012 – Hardship Community Drinking Water Systems. Funds not awarded for this will revert to loans effective December 31, 2007.

Public Water System Supervision (PWSS): \$1,950,505

During state FY 2007, ADEQ will use this funding for the PWSS Program, which encompasses all of the various activities involved in implementing the Safe Drinking Water Act requirements in Arizona. These activities include operator certification, source water assessment and protection, development of regulatory guidance and assistance documents, assisting systems in obtaining the technical, financial, and managerial capability to comply with drinking water regulations, and technical consultations on water system and treatment system design. Additionally, WIFA may use capacity development funds to assist water systems throughout the state.

Administration: \$928,580 – During state FY 2007, WIFA will use the funding to administer Arizona's DWRP and assist drinking water systems to conceive, develop, expedite, construct, and finance technically sound and sustainable water infrastructure.

Technical and Local Assistance will be addressed in the Technical Assistance (TA) Intended Use Plan (IUP). The TA cycle begins **July 1, 2007** and ends **June 30, 2008**. Please visit WIFA's Web site (www.azwifa.gov) for more information about WIFA's technical assistance programs.

SECTION 3: GOALS

WIFA adopts an annual strategic plan listing goals, ongoing objectives, and annual objectives. The goals listed below are taken directly from the WIFA 2006-2007 Strategic Plan. For additional detail on goals, ongoing objectives, and annual objectives, request a copy of the WIFA 2006-2007 Strategic Plan from WIFA's Communications Director, (602) 364-1314.

Goal 1: Award WIFA's resources in accordance with the needs of Arizona's citizens.

Goal 2: Maintain the fiscal integrity of WIFA's funds and assure continuous enhancement for future generations.

Goal 3: Facilitate access to and efficiently deliver financial and technical assistance.

Goal 4: Coordinate with other funding sources, technical resources, and regulatory authorities, and private sector legal and financial counterparts.

Goal 5: Actively pursue leadership in infrastructure finance.

Goal 6: Efficiently administer WIFA within a positive work environment.

Goal 7: Facilitate and encourage board of directors' involvement in WIFA.

SECTION 4: METHOD AND CRITERIA FOR DISTRIBUTING ARIZONA'S DWRF

Lending Capacity for 2007 Funding Cycle – If there are insufficient projects ready to proceed during the 2007 funding cycle, WIFA will apply funds to the fiscal year 2008 funding cycle project priority list. If additional funding becomes available during the fiscal year, WIFA will expand the fundable range of the 2007 funding cycle project priority list.

Each board meeting, the WIFA Board of Directors may update the DWRF PL, fundable range for design and fundable range for construction based on project readiness to proceed, refined project cost estimates, availability of other funding sources, and other new information affecting the expansion and contraction of the PL and fundable ranges. The WIFA Board of Directors will adopt the updated DWRF PL and fundable ranges at public meetings and will distribute the updates to all DWRF PL applicants and other interested parties.

Priority List, Exhibit A – On Wednesday, Oct. 25, 2006, WIFA staff convened a scoring committee including members from the Arizona Department of Environmental Quality, Arizona Small Utilities Association, Rural Community Assistance Corporation, Arizona Corporation Commission and U.S. Department of Agriculture Rural Development. The committee scored and ranked priority list applications submitted by communities pursuant to WIFA's DWRF award criteria. All eligible applications received appear on the 2007 funding cycle priority list.

Fundable Range for Design, Exhibit B – Includes the highest ranking applicants ready to receive design assistance during the funding cycle.

Fundable Range for Construction, Exhibit C – Includes the highest ranking applicants ready to receive construction assistance.

Market Loan Rate – The WIFA Board of Directors has established a target interest rate ranging between 70% and 95% of tax-exempt interest or prime rates. The WIFA Board of Directors will set interest rates/subsidies on individual loans pursuant to the:

- ✓ Priority of the project;
- ✓ Local fiscal capacity of the area served by the system requesting assistance; and,
- ✓ Lending capacity of Arizona's DWRF.

Local fiscal capacity will be measured by the area's median household income, user rates and charges, and the community's outstanding debt.

Binding Commitments – The WIFA Board of Directors will allocate financial assistance in accordance with DWRP funds available, the DWRP PL, financial assistance requested, a community’s financial capacity, and project readiness to proceed.

Once on the DWRP PL, an applicant will submit a project finance application to request financial assistance. WIFA staff will review the project finance application, analyze the applicant’s legal, technical, managerial, and financial capability, and provide recommendations to the WIFA Board of Directors. The WIFA Board of Directors approves an applicant’s financial assistance request, WIFA staff will prepare and circulate financial assistance documents to evidence the binding commitment in accordance with applicable federal requirements.

SECTION 5: PUBLIC REVIEW AND COMMENT

WIFA solicited public review and comment on the draft **2007 DWRP IUP and PL** according to the following schedule of activities:

- | | |
|-------------------|--|
| November 9, 2006 | Distribution and Web posting of the draft DWRP IUP and PL to all interested parties. |
| November 20, 2006 | Public Hearing – 1110 West Washington, Room #130, Phoenix, Arizona 85007 at 1 p.m. |
| November 20, 2006 | Deadline for public comments on the draft DWRP IUP and PPL. |
| December 20, 2006 | The WIFA Board of Directors adopts the final DWRP IUP and PPL. |
| January 1, 2007 | Final DWRP IUP and PPL become effective. Distribution and Web posting of Final DWRP IUP and PPL. |

SECTION 6: ASSURANCES

Files and Records Retention – WIFA will receive and review project documents from financial assistance applicants. These documents will be filed in official project files maintained by WIFA. The project files and other DWRP records will be made available in accordance with the Arizona public records law. It is expected that EPA will review the files on a sample basis in conjunction with on-site visits scheduled as part of WIFA’s annual review or other monitoring of the state’s management of DWRP funds.

WIFA will retain the official project files and other DWRP files in accordance with federal and state requirements.

Expeditious and Timely Expenditures – WIFA will expend DWRP funds in a timely and expeditious manner.

Environmental Review Requirements – In accordance with applicable federal requirements, WIFA will continue to conduct environmental reviews pursuant to applicable federal and state statutes and rules.

Exhibit A:

2007 Funding Cycle Priority List

Arizona's Drinking Water Revolving Fund

Arizona's Drinking Water Revolving Fund
2007 Funding Cycle – Priority List for Drinking Water Revolving Fund
November 30, 2006

Rank	Applicant	Population	Project Title	Project #	Amount Requested	Subsidy Rate Index
1	Antelope Peak DWID	220	Water Infrastructure Improvement	025 2007	\$ 976,000	70%
2	Picacho Peak Water Company	30	Nitrate Treatment	022 2007	\$ 150,000	75%
3	Maricopa Mountain Water Co. Inc.	600	Maricopa Mountain Arsenic Treatment System	023 2007	\$ 528,000	70%
4	Naco Water Company	1,284	Naco Water Co. - Phase Ii	004 2007	\$ 2,500,000	70%
5	Livco Water Co.	1,100	Old Concho/Livco Consolidation	015 2007	\$ 300,000	70%
6	Town of Chino Valley	8,750	Chino Valley Private Water Company Acquisitions	001 2007	\$ 6,000,000	70%
7	Town of Chino Valley	16,000	Chino Valley Water And Sewer Expansion Project	002 2007	\$ 16,000,000	70%
8	Livco Water Co.	1,100	Upgrade/Replace Old Water Meters	017 2007	\$ 80,000	70%
9	Livco Water Co.	1,100	Well #4: Activate Well And Bring Into System	019 2007	\$ 80,000	70%
10	Rancho Del Conejo Community Water C	942	Rancho Del Conejo - Arsenic Removal Project - Well #3	005 2007	\$ 200,000	70%
11	City of Tucson	700,000	Savsarp Raw Water Delivery System	010 2007	\$ 4,500,000	75%
12	Livco Water Co.	1,100	Well #3 - Bring Well Into System	013 2007	\$ 40,000	75%
13	Livco Water Co.	1,100	Replace Asbestos Pipeline	016 2007	\$ 180,000	70%
14	Livco Water Co.	1,100	Increase Water Storage Capacity	014 2007	\$ 550,000	70%
15	Town of Chino Valley	1,200	New Hia Water Transmission And Importation System	003 2007	\$ 15,000,000	70%
16	Livco Water Co.	1,100	Well #1: Upgrade/Replace Well Casings	018 2007	\$ 40,000	75%
17	City of Tucson	700,000	So. Avra Valley Storage & Recharge Project (Savsarp) Basins	011 2007	\$ 13,100,000	80%
18	Town of Cave Creek	4,000	Acquisition Of Water Company; System Improvements	027 2007	\$ 6,700,000	85%
19	Sonoita Valley Water Company	327	Sonoita Valley Water Company System Expansion	006 2007	\$ 629,000	80%
20	Community Water Co. Of Green Valley	21,500	Design/Construction Of Arsenic Treatment Facilities	026 2007	\$ 2,100,000	85%
21	City of Show Low	5,760	Well 12 Redevelopment	020 2007	\$ 300,000	85%
22	Las Quintas Serenas Water Co.	4,000	Lqs Water Company Supplemental Financing	007 2007	\$ 400,714	85%
23	City of Tucson	700,000	New Well Equipping	008 2007	\$ 1,300,000	85%
24	City of Tucson	700,000	Drill Production Wells	009 2007	\$ 1,500,000	85%
25	City of Tucson	700,000	Cavsarp Booster Expansion, W571	012 2007	\$ 3,000,000	85%
26	Lake Havasu City	10,305	Water Service Line Replacement / Waterline Replacement Improvements	021 2007	\$ 5,369,000	80%
27	City of Peoria, AZ	112,000	Twin Buttes Water Treatment Plant	024 2007	\$ 40,000,000	85%

Exhibit B:

2007 Funding Cycle Fundable Range for Design

Arizona's Drinking Water Revolving Fund

Arizona's Drinking Water Revolving Fund
2007 Funding Cycle – Fundable Range for Design Financial Assistance
November 30, 2006

No borrowers requested design assistance for their projects as of the date of this report.

Exhibit C:

2007 Funding Cycle Fundable Range for Construction

Arizona's Drinking Water Revolving Fund

Arizona's Drinking Water Revolving Fund
2007 Funding Cycle – Fundable Range for Construction Financial Assistance
November 30, 2006

Fundable Range	Rank	MPL Rank	Applicant	Project Title	Project #	Amount Requested
1	6		Town of Chino Valley	Chino Valley Private Water Company Acquisitions	001 2007	\$6,000,000
2	7		Town of Chino Valley	Chino Valley Water And Sewer Expansion Project	002 2007	\$16,000,000
3	11		City of Tucson	Savsarp Raw Water Delivery System	010 2007	\$4,500,000
4	17		City of Tucson	So. Avra Valley Storage & Recharge Project (Savsarp) Basins	011 2007	\$13,100,000
5	18		Town of Cave Creek	Acquisition Of Water Company; System Improvements	027 2007	\$6,700,000
6	20		Community Water Co. Of Green Valley	Design/Construction Of Arsenic Treatment Facilities	026 2007	\$2,100,000
7	22		Las Quintas Serenas Water Co.	Lqs Water Company Supplemental Financing	007 2007	\$400,714
8	23		City of Tucson	New Well Equipping	008 2007	\$1,300,000
9	24		City of Tucson	Drill Production Wells	009 2007	\$1,500,000
10	25		City of Tucson	Cavsarp Booster Expansion, W571	012 2007	\$3,000,000
11	27		City of Peoria, AZ	Twin Buttes Water Treatment Plant	024 2007	\$40,000,000

Exhibit D:

Public Review and Comment Summary

Arizona's Drinking Water Revolving Fund

Exhibit D
2007 Funding Cycle – Public Review and Comment; Technical Changes
November 30, 2006

SECTION 1: SUMMARY OF COMMENTS FROM PUBLIC HEARING AND PUBLIC MEETINGS

A public hearing was conducted in Phoenix at 1110 W. Washington Street, Room 130 from 1:00 p.m. to 2:00 p.m. Monday, November 20, 2006.

No members of the public were present.

Public comment was conducted on November 9, 2006 thru November 20, 2006. The public review and written comment period was advertised on November 16th, 17th, and 18th in Arizona's three major newspapers.

No written comments were submitted during the public comment period.

SECTION 2: SUMMARY OF CHANGES TO THE DRAFT DWRF INTENDED USE PLAN

No changes were made to the *Draft* DWRF Intended Use Plan.

SECTION 3: SUMMARY OF CHANGES TO THE DRAFT DWRF PRIORITY LIST

No changes were made to the *Draft* DWRF Priority List.